

Leicester BSF Company 2 Limited  
Annual report and financial statements  
for the year ended 31 March 2015

Registration number: 07713782



## **Leicester BSF Company 2 Limited**

### **Annual report and financial statements for the year ended 31 March 2015**

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## **Leicester BSF Company 2 Limited**

### **Directors and advisors**

<b>Directors</b>	G Chapman
	H Pownall
	D Hardingham
	C Lemmon
<b>Company secretary</b>	Semperian Secretariat Services Limited
<b>Registered office</b>	Third Floor
	Broad Quay House
	Prince Street
	Bristol
	BS1 4DJ
<b>Independent auditors</b>	PricewaterhouseCoopers LLP
	Chartered Accountants and Statutory Auditors
	31 Great George Street
	Bristol
	BS1 5QD

## **Leicester BSF Company 2 Limited**

### **Strategic report for the year ended 31 March 2015**

The directors present their annual report and the audited financial statements for the year ended 31 March 2015.

#### **Results, principal activities and review of business**

The principal activity of the company is to design, build, finance and maintain school buildings in the Leicester area under a PFI contract with Leicester City Council that runs until 27 October 2038. The project is currently in its operational phase.

From a review of financial models covering the future periods, the directors consider that the company will generate positive cash flows and profits over the life of the contract.

The profit/(loss) for the year is set out in the profit and loss account on page 7. The directors consider the performance of the company during the year, the financial position at the end of the year and its prospects for the future to be satisfactory.

#### **Principal risks and uncertainties**

The company has taken on the activity, as detailed above, and is risk averse in its trading relationships with its customer, funders and sub-contractors as determined by the terms of their respective detailed PFI contracts. In extreme circumstances, the company could be exposed to subcontractor failure to perform their obligations. The financial risks and the measures taken to mitigate them are as detailed in the Directors' report.

#### **Key performance indicators ('KPIs')**

The company's operations are managed under the supervision of its shareholders and funders and are largely determined by the detailed terms of the PFI contract which stipulates key performance criteria on operational activities. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the performance or position of the business.

**By order of the Board**



On behalf of Semperian Secretariat Services Limited  
Company secretary

- 9 JUL 2015

## **Leicester BSF Company 2 Limited**

### **Registration number: 07713782 Directors' report for the year ended 31 March 2015**

The directors present their annual report and the audited financial statements for the year ended 31 March 2015.

#### **Future developments**

No significant changes are expected to the company's activities, as set out in the Strategic Report, in the foreseeable future.

#### **Dividends and transfers to reserves**

No dividend was paid during the year (2014: £nil).

#### **Financial risk management**

The company has exposures to a variety of financial risks which are managed with the purpose of minimising any potential adverse effect on the company's performance. The directors have policies for managing each of these risks and they are summarised below:

##### ***Interest rate risk***

The senior and subordinated debt interest has been fixed through the use of fixed funding rates, plus a margin, as set out in note 9.

##### ***Inflation risk***

The company's project revenue and most of its costs were linked to inflation at the inception of the project, resulting in the project being largely insensitive to inflation.

##### ***Liquidity risk***

The company adopts a prudent approach to liquidity management by endeavouring to maintain sufficient cash and liquid resources to meet its obligations as they fall due.

##### ***Credit risk***

The company receives the majority of its revenue from Leicester City Council and is not exposed to significant credit risk. Cash investments are with institutions of a suitable credit quality.

##### ***Major maintenance replacement risk***

The company takes the risk that its projections for ongoing major maintenance replacement of the building and relevant equipment are adequate. These projections have been agreed with third parties and are subject to regular review by the directors.

#### **Directors of the company**

The directors of the company during the year, and up to the date of signing the financial statements, are set out below:

G Chapman (appointed 1 May 2014)

C Elliott (resigned 6 January 2015)

H Pownall

P Dodd (appointed 24 June 2014 and resigned 23 March 2015)

D Hardingham (appointed 23 March 2015)

The following director was appointed after the year end:

C Lemmon (appointed 21 May 2015)

## **Leicester BSF Company 2 Limited**

### **Directors' report for the year ended 31 March 2015 (continued)**

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

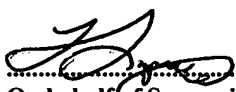
#### **Statement of disclosure of information to auditors**

In the case of each director in office at the date the directors' report is approved, so far as the director is aware, there is no relevant audit information of which PricewaterhouseCoopers LLP ('PwC') are unaware, and the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information, and to establish that PwC are aware of that information.

#### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, have signified their willingness to continue in office.

#### **By order of the Board**



On behalf of Semperian Secretariat Services Limited  
Company secretary

- 9 JUL 2015

## **Leicester BSF Company 2 Limited**

### **Independent auditors' report to the members of Leicester BSF Company 2 Limited**

#### **Report on the financial statements**

##### **Our opinion**

In our opinion, Leicester BSF Company 2 Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006.

##### **What we have audited**

Leicester BSF Company 2 Limited's financial statements comprise:

- the balance sheet as at 31 March 2015;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

##### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

##### **Other matters on which we are required to report by exception**

###### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Leicester BSF Company 2 Limited

### Independent auditors' report to the members of Leicester BSF Company 2 Limited (continued)

#### Responsibilities for the financial statements and the audit

##### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

##### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



.....  
**Paul Nott (Senior Statutory Auditor)**  
**For and on behalf of PricewaterhouseCoopers LLP**  
**Chartered Accountants and Statutory Auditors**  
**Bristol**

16 July 2015



## Leicester BSF Company 2 Limited

### Profit and loss account for the year ended 31 March 2015

	Note	Year ended 31 March 2015 £	Year ended 31 March 2014 £
<b>Turnover</b>	1	<b>2,015,900</b>	1,250,585
Cost of sales		(1,606,200)	(997,628)
<b>Gross profit</b>		<b>409,700</b>	252,957
Administrative expenses		(211,078)	(151,592)
<b>Operating profit</b>	2	<b>198,622</b>	101,365
Interest receivable and similar income	3	2,583,349	2,485,403
Interest payable and similar charges	4	(2,769,807)	(2,627,655)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>12,164</b>	(40,887)
Tax on profit/(loss) on ordinary activities	5	(2,432)	21,849
<b>Profit/(loss) for the financial year</b>	12	<b>9,732</b>	(19,038)

The company has been engaged solely in continuing activities in a single class of business within the United Kingdom.

There are no material differences between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial year stated above and their historical cost equivalents.

The company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

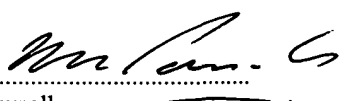
The movements on reserves are shown in note 12 to the financial statements.

## Leicester BSF Company 2 Limited

### Balance sheet as at 31 March 2015

	Note	31 March 2015 £	31 March 2014 £
<b>Current assets</b>			
Debtors: amounts falling due within one year	6	1,672,818	1,215,517
Debtors: amounts falling due after more than one year	7	46,409,417	47,786,360
Cash at bank and in hand		2,203,150	3,726,449
		<b>50,285,385</b>	<b>52,728,326</b>
<b>Creditors: amounts falling due within one year</b>	8	<b>(3,252,629)</b>	<b>(4,114,757)</b>
<b>Total assets less current liabilities</b>		<b>47,032,756</b>	<b>48,613,569</b>
<b>Creditors: amounts falling due after more than one year</b>	9	<b>(47,060,422)</b>	<b>(48,650,967)</b>
<b>Net liabilities</b>		<b>(27,666)</b>	<b>(37,398)</b>
<b>Capital and reserves</b>			
Called up share capital	11	50,000	50,000
Profit and loss account	12	(77,666)	(87,398)
<b>Total shareholders' deficit</b>	12	<b>(27,666)</b>	<b>(37,398)</b>

The financial statements on pages 7 to 16 were approved by the Board on 25 JUN 2015 and signed on its behalf by:

  
 .....  
 H Pownall  
 Director

## **Leicester BSF Company 2 Limited**

### **Notes to the financial statements for the year ended 31 March 2015**

#### **1 Principal accounting policies**

A summary of the company's principal accounting policies, which have been consistently applied, is set out below:

##### **Basis of preparation of financial statements**

These financial statements are prepared on the going concern basis, and in accordance with the Companies Act 2006 and applicable accounting standards and financial reporting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

##### **Turnover**

Turnover represents the value of work done and services rendered, excluding sales related taxes. All turnover originates in the United Kingdom. The company recognises income when it has fully fulfilled its contractual obligations. In accordance with Financial Reporting Standard 5 - Application Note G, the company includes sales and purchase transactions related to variations under the original contract where the benefits and risks are retained by the company, within the financial statements as turnover and operating costs.

Where appropriate, income received under the PFI contract in respect of services provided during the operational phase of the contract is deferred to future periods in order to match those elements of income with the costs to which they relate. The turnover and cost of sales are recorded in the profit and loss account in the period in which the relevant costs are incurred.

Transactions to which the company does not have access to all the significant benefits and risks are excluded from the financial statements.

##### **Finance debtor and interest receivable**

In accordance with Financial Reporting Standard (FRS) 5 - Application Note F, the costs incurred in constructing the assets have been treated as a finance debtor. This treatment arose from applying the guidance within the application note which indicated that the project's principal agreements transfer substantially all the risks and rewards relating to the property to the customer.

The finance debtor represents the costs arising on the construction of the assets including initial tender costs. During asset construction, finance debtor interest income is recognised on an accruals basis and is capitalised within the finance debtor receivable. Once the project reached its operational phase and was accepted by the customer a constant proportion of the planned net revenue arising from the project was allocated to remunerate the finance debtor. Imputed interest receivable is allocated to the finance debtor using a property specific rate to generate a constant rate of return over the life of the contract. Over the course of the contract term the finance debtor is expected to be fully repaid.

# Leicester BSF Company 2 Limited

## Notes to the financial statements for the year ended 31 March 2015 (continued)

### 1 Principal accounting policies (continued)

#### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

#### Debt issue costs

Debt issue costs directly incurred have been offset against the related debt and will be charged to the profit and loss account at a constant rate on the carrying value of the debt.

#### Cash flow statement

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that the company's ultimate parent undertaking, Semperian PPP Investment Partners Holdings Limited, prepares a consolidated cash flow statement, in which the company's cash flows are included.

### 2 Operating profit

The company had no employees, other than the directors, during the year (2014: none). The emoluments of the directors are paid by the controlling parties. The directors services to this company and to a number of fellow group companies are primarily of a non executive nature and their emoluments are deemed to be wholly attributable to the controlling parties. The controlling parties charged £68,764 (2014: £66,954) to the company in respect of these services.

The audit fee in respect of the company was £9,000 for the year (2014: £9,000). Fees payable to the auditors for non-audit services were £nil (2014: £nil). The company also bore the audit fees of other group undertakings of £2,000 (2014: £2,000) during the year.

### 3 Interest receivable and similar income

	Year ended 31 March 2015 £	Year ended 31 March 2014 £
Imputed interest receivable on finance debtor	2,583,349	2,461,820
Interest receivable on bank deposits	-	23,583
	<b>2,583,349</b>	<b>2,485,403</b>

## Leicester BSF Company 2 Limited

### Notes to the financial statements for the year ended 31 March 2015 (continued)

#### 4 Interest payable and similar charges

	Year ended 31 March 2015 £	Year ended 31 March 2014 £
Interest payable on senior debt	2,199,709	2,359,805
Interest payable on subordinated debt	537,707	227,422
Amortisation of debt issue costs	32,391	40,428
	2,769,807	2,627,655

## Leicester BSF Company 2 Limited

### Notes to the financial statements for the year ended 31 March 2015 (continued)

#### 5 Tax on profit on ordinary activities

##### (a) Analysis of tax charge for the year

	Year ended 31 March 2015 £	Year ended 31 March 2014 £
<b>Current tax:</b>		
Total current tax	-	-
<b>Deferred tax (note 10)</b>		
Origination and reversal of timing differences	2,432	(21,849)
<b>Tax charge/(credit) on profit/(loss) on ordinary activities</b>	<b>2,432</b>	<b>(21,849)</b>

##### (b) Factors affecting current tax charge

The tax assessed for the year is lower (2014: higher) than the standard rate of corporation tax in the UK of 21% (2014: 23%). The differences are explained below:

	Year ended 31 March 2015 £	Year ended 31 March 2014 £
Profit/(loss) on ordinary activities before taxation	12,164	(40,887)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2014: 23%)	2,554	(9,404)
Effects of:		
(Decrease)/increase in unutilised tax losses carried forward	(2,554)	9,404
Current tax (credit)/charge for the year (note 5(a))	-	-

##### (c) Factors that may affect future tax charges

Finance Act 2013, which was substantively enacted on 2 July 2013, included legislation to reduce the main rate of corporation tax to 20% with effect from 1 April 2015.

## Leicester BSF Company 2 Limited

### Notes to the financial statements for the year ended 31 March 2015 (continued)

#### 6 Debtors: amounts falling due within one year

	31 March 2015 £	31 March 2014 £
Trade debtors	467,816	57,016
Finance debtor	1,077,926	1,027,784
Prepayments and accrued income	107,659	53,552
Other debtors	-	55,316
Deferred tax (note 10)	19,417	21,849
	<b>1,672,818</b>	<b>1,215,517</b>

#### 7 Debtors: amounts falling due after more than one year

	31 March 2015 £	31 March 2014 £
Finance debtor	46,409,417	47,786,360

#### 8 Creditors: amounts falling due within one year

	31 March 2015 £	31 March 2014 £
Senior debt	1,567,115	2,810,281
Subordinated debt	24,977	14,784
Trade creditors	382,336	572,024
Accruals and deferred income	721,780	705,398
Amounts owed to group undertakings	309,144	12,270
Other taxation and social security	247,277	-
	<b>3,252,629</b>	<b>4,114,757</b>

## Leicester BSF Company 2 Limited

### Notes to the financial statements for the year ended 31 March 2015 (continued)

#### 9 Creditors: amounts falling due after more than one year

##### (a) Debt

	31 March 2015 £	31 March 2014 £
Senior debt	44,921,492	47,770,298
Subordinated debt	4,132,643	4,139,746
Less: included in creditors falling due within one year	(1,592,092)	(2,825,065)
Less: unamortised issue costs	(401,621)	(434,012)
	47,060,422	48,650,967

##### (b) Maturity of debt

	31 March 2015 £	31 March 2014 £
Less than one year	1,621,319	2,863,590
Between one and two years	1,616,174	1,610,843
Between two and five years	4,966,424	4,986,879
In more than five years	40,850,218	42,448,732
	49,054,135	51,910,044
Less: included in creditors falling due within one year	(1,592,092)	(2,825,065)
Less: unamortised issue costs	(401,621)	(434,012)
	47,060,422	48,650,967

The bank loan is repayable, by quarterly instalments over 23 years commencing 31 December 2013 and ending March 2037. The loan bears an interest rate of 4.76% p.a.

The equity bridge loan from the parent company bears an interest rate of 8.75% and was repaid in October 2013 at which point it was converted to a subordinated debt loan with an interest rate of 13% p.a.

Bank loans are secured by a floating charge over the assets of the company, an assignment of the Project Accounts, the contract rights. In addition the bank holds a Parent Security Agreement incorporating a floating charge over the assets of the parent company, Leicester BSF Holdings Company 2 Limited. Under the agreement the parent company pledges as security its interest in the shares and shareholder loans.



## Leicester BSF Company 2 Limited

### Notes to the financial statements for the year ended 31 March 2015 (continued)

#### 10 Deferred Tax

	31 March 2015 £	31 March 2014 £
Deferred taxation	19,417	21,849

The movements in deferred taxation during the year are as follows:

	31 March 2015 £	31 March 2014 £
At beginning of year	21,849	-
Charge to the profit and loss account (note 5(a))	(2,432)	21,849
At end of year	19,417	21,849

The deferred tax asset consists of:

Tax losses recognised	19,417	21,849
	19,417	21,849

#### 11 Called up share capital

	31 March 2015 £	31 March 2014 £
Allotted and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000

## Leicester BSF Company 2 Limited

### Notes to the financial statements for the year ended 31 March 2015 (continued)

#### 12 Reconciliation of movements in total shareholders' funds and reserves

	Share capital £	Profit and loss account £	Total Shareholders' funds £
At 1 April 2013	50,000	(68,360)	(18,360)
Loss for the financial year	-	(19,038)	(19,038)
At 1 April 2014	50,000	(87,398)	(37,398)
Profit for the financial year	-	9,732	9,732
<b>At 31 March 2015</b>	<b>50,000</b>	<b>(77,666)</b>	<b>(27,666)</b>

#### 13 Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Leicester BSF Holdings Company 2 Limited, registered in England and Wales.

The ultimate parent undertaking and controlling party is Semperian PPP Investment Partners Holdings Limited which is registered in Jersey. The smallest group and largest group to consolidate these financial statements is Semperian PPP Investment Partners Holdings Limited.

Consolidated financial statements for Semperian PPP Investment Partners Holdings Limited can be obtained from the Company Secretary at Third Floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ.

#### 14 Related party transactions

As a wholly owned subsidiary of Semperian PPP Investment Partners Holdings Limited, the company has taken advantage of the exemption under Financial Reporting Standard 8 - 'Related Party Disclosures' of the requirement to disclose transactions between it and other group companies.